

U.S. Department of Labor

Office of Administrative Law Judges  
1111 20th Street, N.W.  
Washington, D.C. 20036



.....  
In the Matter of

KENTUCKY DEPARTMENT OF  
HUMAN RESOURCES,  
FRANKFORT, KENTUCKY  
.....

Case No. 82-WPA-28

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RECONSIDERATION AND MODIFICATION OF DECISION AND ORDER

On September 8, 1983, I issued a Decision and Order relating to two audits in which I concluded:

(1) that the finally disallowed costs amounting to \$148,248.97 reflected by the December 3, 1982 Revised Final Determination of the Regional Administrator relating to Audit Report No. 04-75-633-L including the \$53,723.97 costs for office space are sustained and such debt is subject to appropriate collection action in accordance with Federal debt collection procedures or Federal claims collection standards;

(2) the final disallowed costs by the Regional Administrator relating to Audit Report No. 04-7-119 were modified resulting in liquidated disallowed costs of \$1,129,570.00 instead of the \$1,187,570.00 claimed.

The total disallowance in both audits amounted to \$1,335,818.97.

A Motion to Reconsider and Modify the Decision and Order by the Kentucky Cabinet for Human Resources was received on October 11, 1983. The motion sought to offset \$331,228.00 of disallowed costs for Audit Number 04-7-119L-0005 covering fiscal year 1975 and 1976 against the amount of \$798,342.00 which represents the amount by which the obligational authority was exceeded for those same fiscal years.

It was argued in effect, that the Order requires Kentucky to pay disallowed costs with regard to fiscal year 1975 and 1976 twice. Once, as part of the excess obligational authority and a separate time as a separate item.

On October 21, 1983, counsel for the Department of Labor replied that: The Grant Officer does not oppose KCHR's motion to the extent that KCHR can demonstrate that the refunded disallowed costs of \$331,228 (based on unapproved office space, professional services, Touche Ross Audit and interest payment) were directly related to the obligational authority exceeded in the following ledger codes (Audit Report 04-7-119-L-0005, Schedule G1, p. 92 - Administrative File, RA Ex. 2 Tab G).

By letter dated April 6, 1984, this Court was advised by the Deputy Regional Solicitor that: "...The Grant Officer, Employment and Training Administration, upon further review has decided to permit the Kentucky Department for Human Resources to offset \$331,228 from the \$798,342 disallowed costs based on exceeding the obligational authority, because such costs were incurred prior to fiscal year 1977. Thus, the total debt due the Employment and Training Administration is reduced to \$946,590.97, which amount has already been paid by the Kentucky Department of Human Resources." The Grant Officer also requested that the Court's Decision and Order dated September 8, 1983 be modified to reflect this statement and that the case be closed.

#### Conclusion

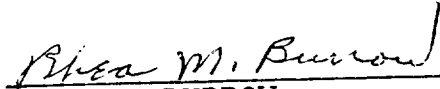
In view of the foregoing, the disallowance of the amounts expended in excess of obligational authority for fiscal years 1975 and 1976 as relates to Audit Report No. 04-7-119-L-0005 is hereby reduced from \$798,342.00 by \$331,228.00 disallowed costs to \$467,114.00. This also has the effect of reducing the total combined disallowance of the two audit reports from \$1,277,818.97 to \$946,590.90.

#### ORDER

1. The Motion by the Kentucky Cabinet for Human Resources to Reconsider and Modify the Decision and Order dated September 8, 1983 is hereby granted.

2. The overall disallowance in the above stated audits has been reviewed and found to warrant a reduction in the total amount of \$1,277,818.97 to \$946,590.90, which is reported by counsel for the Grant Officer to have been paid.

3. All issues and obligations having been resolved or fulfilled in the captioned-matter, the case is hereby Ordered closed and all actions herein terminated.

  
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RHEA M. BURROW  
Administrative Law Judge

Dated: 18 APR 1984  
Washington, D.C.

RMB:kat

SERVICE SHEET

Case Name: KENTUCKY DEPARTMENT OF HUMAN RESOURCES,  
FRANKFORT, KENTUCKY

Case No.: 82-WPA-28

Title of Document: RECONSIDERATION AND MODIFICATION OF  
DECISION AND ORDER

A copy of the above document was mailed to the following parties  
on 18 APR 1984

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